

substructure? A. No, I don't have the exact amount of concrete poured. I considered I had enough information with the information I had been able to find.

[9694] Q. Did you have an approximate amount of concrete poured during that period? A. No, I don't believe I had.

Q. Did you consider that was unnecessary for your determination? A. I considered I had enough facts without that.

THE WITNESS: I considered that it was unnecessary to determine the exact amount of concrete poured in the face of the other facts which I had discovered.

By MR. KING:

Q. What were those other facts to which you refer? A. A general description of the work going on during that period.

Q. What is that general description? Where did you get it from? A. Part of it came from Mr. Goodwin's construction diary, I believe. A large part of it came from letters that are in the records, or letters I found in the fifteen filing cabinets. Also part of it came from an examination of the [9695] construction accounts themselves, the accounting records.

Q. All right.

What did they show to you? What did those documents indicate to you? A. They indicated the amount of construction work going on during that period was relatively small.

Q. Did Goodwin's diary end in January, 1908? A. It may have, yes, but there were letters which continued after that date.

Q. Letters in the fifteen filing cases? A. That is right.

THE WITNESS: Goodwin's diary stopped in January, 1908. That probably was the reason Mr. Chase said he

was unable to tell me what construction work was going on during the period of cessation.

By MR. KING:

Q. That is pure speculation on your part? A. Yes, that is pure speculation.

Q. Will you please tell me what the facts were you were able to develop to indicate to you what went on during that period where you could make no determination? [9696] A. Are you asking me now what went on during the period? Is that it?

Q. That is correct, which enabled you to make your determination. A. Well, I determined that as of November 1—

Q. What year? A. 1907—work had ceased on all the machinery contracts. As a matter of fact, there is a letter which indicates I. P. Morris was notified on October 24, 1907, to stop work on the machinery contract.

Q. What else? A. I also had a record of the amount of work done during the first 22 days of November, and a letter which indicated that I believe 620 cubic yards of concrete were poured during that period to complete various uncompleted concrete structures and to make the plant safe for suspension in the case of this extended cessation.

I also determined that some time in April a decision was made to continue with the tailrace work with the small amount of money which was available to the company, there not being enough to reopen the project entirely. I determined that some time in May work actually started, that is on tailrace excavation. I don't believe I mentioned the fact it was decided to do the tailrace excavation or complete it so far as possible.

[9697] The preliminary work on that may have started in April, that is getting the plant ready for operation, but the work actually didn't start until May, and I believe excavation itself did not start until June, but I am not certain of that.

There was a relatively small amount of work done during May and June. During two or three of the later months the payroll amounted to around \$25,000 to \$30,000.

Q. That is work on the tailrace you are now discussing? A. Yes, I am still discussing the work on the tailrace.

During October the work was completed and I believe Mr. Hutchinson reported to the board of directors that it was complete as of October 15, 1908. That is a summary of the work done during that period that I discussed.

Q. Does that include all the facts which you had in your mind when you made your determination? A. No, it does not. As a matter of fact, just now I recall that in connection with that tailrace work I think they added something to the height of the wing wall.

Q. You knew that, did you? A. That is right. And I believe they may have done something on the connecting bulkhead and on the deflection wall.

[19698] Q. Were you able to determine what that was? A. I was able to determine that it seemed to be more or less incidental work.

Q. How were you able to determine that? A. One of the letters indicated that because of floods the personnel had not been able to get at the excavation and during the intervening period they did this other work in order to keep the personnel busy.

Q. Did you make any investigation to determine the nature of the work done during that period other than what you have already indicated? A. Well, I previously said I examined all the correspondence, whatever construction diaries were available, and the accounting records. There was no other information available that I know of. If there had been Mr. Chase should have furnished it to me in response to my request.

Q. The information was all available to you in the 15 filing cases and the other material which was located at the company's office, isn't that correct?

• • •

[9699] THE WITNESS: When I had exhausted all the methods which I knew of for determining what went on during that cessation period I asked Mr. Chase for information. In response to that request the Company is under an obligation to furnish any information they have. It is not an obligation on the part of the Examiner to continue his investigation after that point.

By MR. KING:

Q. The obligation you refer to is created solely in your opinion, isn't that correct? A. It is created by law.

Q. Where is it created by law? A. Either the system of accounts or the Federal [9700] Power Act states that the company must prove all of their contentions.

MR. KING: May I have that read back, please?

(Answer read.)

By MR. KING:

Q. What do you understand the words "prove all their contentions" to mean, Mr. Newlands? A. They must submit evidence to prove any fact which the Examiner has thrown out or disallowed or stated that he has not sufficient information on to allow as part of the original cost.

Q. In view of that understanding, in view of your understanding of what the Federal Power Commission Act means you arrived at the conclusion that it required Mr. Chase to furnish you with a list of material which you requested. Is that right? A. That is correct.

Q. Do you know whether the preliminary work to which you have just referred in the tailrace was done as a result of the so-called cessation? A. That would be the assumption, yes.

Q. That would be the assumption you made? A. That would be the assumption that anyone would make.

Q. I am not asking you about anyone, Mr. Newlands. [9701] I am asking if that is the assumption you made. A. That is an assumption that I made, yes.

Q. Does that answer mean that you made no investigation? A. No, it doesn't mean that. I have already described I examined everything that I knew of which would disclose the facts regarding that period.

Q. Why did you have to make an assumption as to the question I asked you a moment ago? A. Because the day-by-day work was not described anywhere. There was no construction diary, and in any case, even if the construction diary were kept, it might not say, probably wouldn't say, whether that work was done because of the cessation.

Q. I believe you testified yesterday that you did not examine all of the material in the way of correspondence in the 15 filing cases. A. That is right.

Q. Then how did you assure yourself that you had made an adequate investigation in connection with the facts concerning the cessation period? A. Because I examined all the files which I thought would throw light on the subject.

Q. How did you determine which files would throw light on the subject if you didn't examine them?

[9702] MR. GOLDBERG: Mr. Examiner, I object to that. We went over that yesterday afternoon.

TRIAL EXAMINER: I will permit it if he doesn't go too far.

THE WITNESS: By an examination of the index for one thing, and by—

By MR. KING:

Q. What else? A. And by the fact that there were several series of those files and I called for all the series which I thought would contain any information on it. There was one series for McCall Ferry Power Company, for instance. I called for every file in that series. There was one series of files for Pennsylvania Water and Power Company. I called for every file in that group.

There was another series of files for J. E. Aldred, Receiver. I called for every file in that series.

There was another series of files for Susquehanna Contracting Company. I called for every file in that series.

I also called for another set of files. There was another set of files which was classified by the company's present system of accounts, that is, there would be a file for work on flashboards, work on tailrace excavation, work on generators, transformers and so forth. I called for the [9703] files in that series which had reference to tailrace work.

Q. Did you read all of the contents of the files—

Strike that, please. Were you given the files in response to your request? A. So far as I know if any were held out I don't know, unless they were at the end of the series. In other words, if I had called for all of the files on tailrace excavation and the numbers went up to 12, I have no means of knowing whether there were any further files after that series.

Q. Are you saying that the company withheld files from you? A. No, I am not. I am merely saying I don't know. In that case I practically always called for the next succeeding number or two to make sure that I had them all and received complaints that I was asking for files which were not in the files.

Q. That would indicate to you, would it not, that the company had given you all the material they had? A. Yes, that would indicate that to me.

Q. Did you read all of the contents of the files which were given you? A. I didn't read every letter. I scanned every letter to determine the contents of it.

Q. And you believed that you had sufficient engineering [9704] ability to scan a letter and determine the amount of work done during that period. Is that correct? A. I had sufficient knowledge about construction activities.

Q. You thought you did? A. Yes.

Q. Where did you get that knowledge? A. In my work as an accountant.

Q. Since you have been with the Federal Power Commission? A. And prior.

Q. Give us what that experience was, please. A. A great many of the jobs that I was on prior to coming with the Federal Power Commission were concerned with construction activities for plants being built by companies—

Q. Hydroelectric plants? A. None of them were hydroelectric plants, no. Since coming with the Commission, of course, practically all of my work has been in connection with construction and plant accounts.

. . .

By MR. KING:

Q. Did you ever have any responsibility, Mr. Newlands, [9705] for any decision which involved spending as much as \$1 in connection with construction? A. Do you mean have I ever authorized the expenditure of any amounts for construction?

Q. That is not the question.

. . .

THE WITNESS: I don't understand the question. My question was put to determine what was wanted.

By MR. KING:

Q. You do not understand that question? A. That is right.

Q. Did you ever have any occasion to make any engineering determinations which involved the expenditure of as much as \$1 for construction activity? A. I never had to make any engineering determinations involving payment of any amount for construction [9706] activities.

Q. Mr. Newlands, did you ever make a decision in connection with construction the result of which was to authorize the expenditure of any money for construction activities? A. No, I did not.

Q. Do you consider yourself competent to make a decision at this time with relation to the expenditure of money for construction, which decision involves engineering determinations? A. May I have that question, please?

(Question read.)

THE WITNESS: It would depend on the extent of the engineering determinations. If they were relatively slight the answer would be yes. If they were complicated the answer would be no.

By MR. KING:

Q. Can you give me what you mean by "relatively slight"? A. Well, if it was a question of whether a fence should be built around a piece of property I think I would be able to determine that that expenditure should or should not be made.

Q. What sort of property and what would the fence be for which you had in mind? [9707] A. It could be any sort of industrial plant, and the purpose of the fence depends on any hypothetical situation which might arise.

Q. Give me an example which you have in mind? A. As a purely hypothetical illustration, an industrial plant without a fence around its property might have been bothered by the neighborhood children overrunning the property and they determined to build a fence.

Q. Do you think that involves—

MR. GOLDBERG: Let him finish.

By MR. KING:

Q. Had you finished? A. I think I would be able to determine a fence should be required there.

Q. In that hypothetical situation is there any engineering knowledge necessary? A. There might be.

Q. What is the nature of it? A. The type of fence to put up?

Q. Can you think of any more hypothetical situations which might illustrate your position? [9708] A. Not offhand.

Q. During the so-called period of cessation do you know how much concrete was poured on the superstructure and intake arches? A. I don't have the exact quantities, no.

Q. Can you give us approximate quantities?

. . .

By MR. KING:

Q. Had you finished the answer? A. I knew that a slight amount had been poured, but I didn't know the exact amount.

Q. What is the slight amount? A. I mean by that that no important part of the structure was completed.

. . .

[9710] Q. Do you know during the so-called period of cessation whether forms were stripped from all completed concrete work? A. I know forms were stripped from the concrete work. I have not seen anything that said all of them were stripped. But I would assume that was a fact unless they didn't want to use the forms any more.

Q. Did you examine the photographs in the possession of the company in connection with this matter? A. I examined quite a number of photographs which were available in the 15 filing cases and other places.

Q. You had the contents of all the 15 filing cases available to you, didn't you? A. I could have called for them if I had a list of files.

Q. Didn't Mr. Gunn tell you the contents of those filing cases were available to you and you could use them whenever you wanted? A. That is right, and I tried to use them.

Q. Do you know during the so-called period of cessation whether roof tile was unloaded on the project? [9711] A. Yes, I know that.

Q. Do you know how many cars were unloaded during that period? A. I believe it was ten.

Q. Do you think that is a necessary part of the cost of construction? A. Unloading roof tiles?

Q. Yes. A. Yes, and I believe it is in the construction costs.

MR. GOLDBERG: Let me understand that, please. By that last answer you meant you had not disallowed it?

THE WITNESS: That is right.

By MR. KING:

Q. Didn't you disallow the costs expended during the cessation period? A. No, not all of the costs. I disallowed only those which I considered to be overheads.

Q. Did you disallow the so-called cessation account? A. Yes.

Q. Wasn't the cost of unloading this tile charged to that account? A. My recollection is that it was charged to the superstructure account and not to the cessation account.

Q. If you learned now that the cost of unloading those ten cars was charged to the cessation account would [9712] you allow it? A. Yes, if I had other facts to go on.

Q. What other facts would you want? A. I would have to know whether the particular unloading they did during the cessation period required any further work in connection with distributing that tile when construction actually started which would not have occurred if the cessation had not taken place.

Q. Can you ascertain those facts? A. I don't believe it can be ascertained. There is nothing I have seen from which that could be ascertained.

Q. Do you know whether or not during that period repairs were made to cars and locomotives? A. Yes, I believe I have seen that to be a fact.

Q. Do you consider the costs of those repairs necessary and proper costs to construction? A. If the repairs were necessary to put the locomotives in efficient operating con-

dition for future work I would consider them as a proper part of plant costs.

Q. Did you make that determination—strike that.

Did you make a determination to ascertain whether that is true in this case or not? A. So far as I know there was not sufficient information available to determine exactly the nature of the repairs being done.

[9713] Q. Mr. Newlands, did you consider that there was some more work to be done at the project after these repairs had been made? A. I don't understand that question.

Q. I say, did you make an investigation to determine whether or not there was more work necessary to be done at the project after the time when repairs were made to the cars and locomotives? A. I determined that the project was not complete at the time those repairs were made and that further construction would be necessary to complete it. I believe that is what you are asking me.

Q. That is correct. Do you know whether these cars and locomotives were used after the date of these repairs on the project? A. I believe that some of them were. I don't have any knowledge that all of them were. I believe there was more than one locomotive involved.

[9714] Q. Did you make an investigation to determine whether all of them were subsequently used? A. No, and it was impossible to determine that so far as I know from information available to me, and it was impossible to determine whether the locomotives repaired were the ones which were used.

. . .

Q. Then, as I understand it, Mr. Newlands, you knew that repairs had been made to cars and locomotives. Is that correct? A. Yes.

Q. And you knew that at least some of them were used for subsequent work. Isn't that correct?

[9715] Q. Why, under that set of facts, did you assume that the costs of those repairs were improper? A. I have not made any such assumption.

Q. You disallowed the cost, didn't you, or recommended it for disallowance? A. Not that I know of.

Q. Do you know whether those costs were charged to the cessation account? A. There is nothing to indicate the exact nature of the charges to the cessation account. Charges from the payroll were made to the cessation account, but I could not find any distribution of the workmens' time to find the exact nature of those charges. I assumed that because of the name of the account, which would be a proper accounting assumption, that the items charged to that account represented expenses incurred because of the cessation.

Q. Have you recommended for elimination any other costs on the assumptions you have just described? A. That assumption is related solely to cessation account.

Q. All right. Let's limit my question to costs during the cessation account. A. The assumption that I gave in my previous answer related only to my previous disallowances in the cessation account. They referred to no other disallowances.

[9716] Q. Is that the sole basis you had for disallowing the cost in the cessation account? A. No. For instance, the company had tool and construction accounts.

Q. What is that? A. Had construction tool accounts under its regular plant construction accounts. A sub-account under that provided for repairs, and it would be my assumption, and any accountant's assumption, that if repairs were made which contributed to the completion of the plant they would have been charged to that account.

Q. That is the basis upon which you proceeded, is that correct?

THE WITNESS: That is where they were charged while the construction was proceeding.

By MR. KING:

Q. That is the basis upon which you proceeded. Is that correct? A. That is one basis.

Q. All right. Give me any others. A. Also to make certain that I gave a generous allowance to the company for any construction costs or repair work during the cessation period I allowed the entire expenses [9717] of the local hydraulic department, including all foremen and clerks. There must have been perhaps fifty men involved during the months of November, December, January—November and December, 1907, and January, February and March and April of 1908.

Q. Are you finished? A. That is right.

Q. Is the fact you made a generous allowance in one place a basis for recommending elimination of proper costs in another place? A. That is not what I said.

Q. Will you answer my question?

THE WITNESS: Will you read the question?

(Question read.)

THE WITNESS: No, because I knew of no proper costs that had been eliminated any place. I merely made a generous allowance to cover any possible contingency. I knew it was impossible for me to determine everything that had happened during that period, and I wished to be generous to the company.

By MR. KING:

Q. What is your idea of being generous to the company? A. Making certain that I did not disallow any costs which were pure construction costs during that period. [9718] Q. And it was solely by the use of your accounting experience and background that you made certain that you had not disallowed any amounts you just referred to in the preceding answer? A. No, it was based on my examination of the facts so far as I could discover them.

Q. As an accountant. A. In any capacity.

Q. Did you examine the books of the company in any other capacity than as an accountant? A. No, I exam-

ined them in my capacity as an accountant to obtain an accounting determination.

Q. Did you make any determination to ascertain whether the tailrace excavation was resumed in the middle of April, 1908, continued to October, 1908, and that during this period the rock-filled ramp was constructed? A. Well, I previously described the work done on the tailrace excavation.

Q. You mean the work you understood was done in the tailrace excavation. Is that right? A. I believe I did find a reference to the fact that the rock ramp was constructed during that period. As a matter of fact, I think they used material from the tailrace to construct it. They had to deposit the material some place. The ramp was a good place to deposit it since they needed it.

[9719] Q. Wouldn't that work require the use of those cars and locomotives we used a little while ago? A. It would require the use of some of them. I don't know how many.

Q. Do you know whether it would require the work of all of them or some of them?

. . .

THE WITNESS: No, there was no information available to me which would show how many were required or how many were used.

By MR. KING:

Q. From the engineering knowledge which you have stated you possessed couldn't you have determined that?

A. No, I don't believe anyone could determine it. You would have to have far more facts to determine that than those available to me. Even an engineer couldn't determine it from the facts I had.

Q. Do you know how many yards of rock were removed? A. No, but in addition to that you would have to know the period over which they were removed. You would have to know how much went into the ramp.

Q. Don't you know that period? A. No, not exactly.

Q. What do you mean by "not exactly"? [9720] A. You would have to determine how many days the excavation actually took.

Q. Couldn't you determine that? A. Not from the information available to me.

Q. Did you ask anybody in the company for that information? A. I asked Mr. Chase for all information available as to what was going on during that period.

Q. Did you ask him to make that determination for you? A. That determination you just spoke of, how much rock was removed?

Q. That is right. A. No, I asked him a general question for all information concerning that period.

Q. Do you know whether the information Mr. Chase gave you showed how much rock was removed? A. Mr. Chase did not give me any information in answer to my question. The other information I secured was information that I had secured from the files and by requesting certain documents like the construction diary and the letters and so forth.

Q. Did that information furnish you with enough material to make that determination we have been discussing? A. As I recall it it did not.

Q. Why didn't you ask some of the company engineers [9721] to make that determination for you? Did you think it was immaterial? A. Mr. Chase is a company engineer.

Q. You just said you did not ask him to make that specific determination. You just asked him for general information. Now I am asking you why you didn't ask him to make that specific determination for you? A. Because I expected Mr. Chase to produce all the facts which he considered necessary for me to review in order to determine what was going on during the cessation period. It was not my responsibility to point out to him exactly what information he should furnish to me. When I asked for information I meant all information.

Q. Were you ever refused any specific request for information which you made to the company at any time?

A. There has never been a specific denial of information. There is a great deal of information which I never received.

Q. Why didn't you receive it? Because you didn't ask for it? A. I asked for it but it was never given to me. Sometimes I asked repeatedly.

Q. In what instances? A. Promotion expense account, for instance, flowage basin account.

[9722] Q. What were you told concerning your request in connection with promotion expense? A. I was told they didn't know exactly what was in that account.

Q. Do you consider that a refusal to produce information? A. It is not a refusal to produce information but I don't know whether the company has exhausted all its efforts to find the information. They told me there was additional material located in the test laboratory in Highlandtown. To my knowledge they never went over there to get this additional information on the promotion account, if it existed.

Q. Did you go there? A. No, I did not. I considered when I made the request of the company my responsibility in that regard was ended.

Q. You considered it was perfectly all right for you to make a determination, even though you knew there were facts not in your possession?

[9723] THE WITNESS: I did not state I knew of the existence of any further facts. I stated that I knew there was certain material filed. I don't know the nature of them. They were filed in Highlandtown in a test laboratory. They may have included additional facts. To my knowledge they were not investigated by the company to ascertain whether the promotion expense account, which happened to be the one we are talking about, whether there was any

additional information in there, which would reveal the nature of the promotion expense account.

By MR. KING:

Q. We are talking about the rockfill now. A. The last thing we were talking about was promotion expense account.

Q. My question related to whether or not you knew there was any information in those files about which you have just spoken which you did not determine which related to the rockfill in the ramp. A. I did not know whether there was any information in those records or not.

Q. You stated you did not ask any of the company engineers to make the specific determination as to the amount of rock removed. That is correct, isn't it? A. That is right.

[9724] Q. Did you ask any of the Power Commission Staff engineers to make that determination for you? A. No, I didn't consider it necessary.

Q. You knew, did you not, that Mr. Howell had made a rather detailed investigation in connection with the facts surrounding the excavation in the tailrace? ~~A. No, I~~ I did not.

Q. You did not know that? A. I knew that he had done some work on it. I don't know how detailed his investigation was. I never discussed with him exactly what he did in that regard.

Q. Mr. Newlands, do you know whether there was any equipment removed from the tailrace, that is construction equipment, in 1907? A. At what time in 1907?

Q. Any time during the year 1907? A. Yes, there might have been two periods when equipment was removed—at the end of the work done by the subcontractor, after he had been flooded out, the equipment may have been moved at that time, probably was. Again after the work which the company had done during the spring and early summer of 1907, equipment probably was removed at that time.

Q. Had that removal anything to do with the cessation period?

[9725] Do you understand that question? A. I was trying to determine exactly what you meant.

Q. I will clear it up for you. What I meant was—did in your opinion the cessation period cause the removal of the equipment in the two instances you have cited? A. No.

Q. Mr. Newlands, now do you know whether or not the northern part of the deflection wall was completed from elevation 115 to approximately elevation 128 and the southern end was completed to the full height to elevation 151 in 1908? A. I knew that the deflection wall had been raised. I did not know the exact height to which it had been raised. I believe I did know that the southern section was completed. I don't remember knowing the exact height to which the northern section was raised.

Q. Did you make any investigation to determine that fact? A. I examined all the records which had been available to me. So far as I knew there were no records which disclosed it. If there had been they should have been given to me in response to my request of Mr. Chase.

Q. Did you make any specific request for this particular information from any of the engineers of the company while you were conducting your investigation? [9726] A. None other than the general request which I made to Mr. Chase for all information concerning this period.

Q. Did you request any of the Staff engineers, and by Staff I mean Staff of the Federal Power Commission, to make that investigation for you? A. No, because I knew that they didn't have any more information available to them than I had so far as I know.

Q. Did you ever ask them? A. No, I never asked them.

Q. Did you consider that the Staff engineers had any more capability in making this determination than you had?

. . .

THE WITNESS: Is your question applied only to the amount of work done on the deflection wall?

By MR. KING:

Q. For the time being, yes. A. No, I don't think that an engineer would have or would be more capable of determining how high the deflection wall had been built if that fact were actually available in the records somewhere.

Q. In other words, you don't think the Staff engineers would be any more able to determine that than you. Is that [9727] right? A. Not that particular fact if that fact were available. It is just a matter of reading it.

Q. Reading it where? Off of a drawing? A. In the records.

Q. What records? A. Any records. They might be correspondence records or a construction diary.

Q. Do you consider yourself qualified to interpret a construction diary? A. I think so.

Q. Do you consider yourself qualified to interpret a drawing? A. In some respects, not every detail.

Q. Have you ever—— A. That is I can determine from a drawing what the general nature of the work being done is, but I don't know all the engineering details.

Q. In what instances have you made a determination of a drawing? A. I secured drawings of the work done at the tailrace, or rather the toe of the dam, for instance. Mr. Wetzel also brought down some drawings showing the work done on some of the items which the company now is claiming for plant.

Q. And you interpreted those drawings? [9728] A. With Mr. Wetzel's assistance.

Q. Is Mr. Wetzel an engineer? A. He has done considerable engineering work. I don't know whether he holds an engineering degree.

Q. Mr. Newlands, can you take a drawing and determine from it how much work has been completed? A. To be more specific, if there were a drawing showing the heights to which the deflection wall had been completed I

believe I would be capable of reading that information off of the drawing.

Q. Did you ever see a drawing which would enable you to determine how much work had been done at any particular or given time? A. You mean in respect to Pennsylvania Water and Power Company's plant?

Q. Yes, or any other company so far as that is concerned.

. . .

THE WITNESS: I have not seen any drawings which indicated the extent of completion of construction. As a matter of fact, they usually would not indicate that.

[9729] Q. Do you know, Mr. Newlands, whether concrete also was poured on the piers at the end of the ramp and some miscellaneous excavation was done for the fish ladders, powerhouse approach, railroad tunnel, and the spillway at the shore end of the powerhouse? A. Yes, I believe so.

Q. Did you make an investigation to determine how much work in this connection was done? A. As I have said repeatedly before, I examined all of the records which were available to me during that period to determine exactly what was done and asked for further information.

Q. Did you ask for any specific information in connection with this subject matter from any of the engineers connected with the company? A. No, my request was a general question for all information.

Q. Did you ask for any assistance in making your determination from the Staff engineer? A. As to what was done on this particular group of work?

Q. Yes. A. No.

Q. Mr. Newlands, will you turn to page 22 of Exhibit 51? At the bottom of the page you used the words, "Except for some excavation of the tailrace". Is the work which you and [9730] I have been discussing properly in your opinion described by the words that I quoted to you from your exhibit? A. Yes, I believe so.

Q. Did you know, Mr. Newlands, whether or not from November, 1907 to October 1908, Mr. Cooper and Mr. Sanderson and Mr. Porter and Mr. Hutchinson continued to work on drawings and completed them during that time?

A. Are you referring to Mr. Cooper individually?

Q. Mr. Cooper or his firm. A. That is not a fact. Mr. Cooper was in China during part of that period, or in the Orient.

Q. You mean it is not a fact that Mr. Cooper's firm or Sanderson and Porter nor Mr. Hutchinson worked on the drawings and completed them from November, 1907 to October 1908?

A. So far as I know neither Mr. Cooper nor Mr. Hutchinson personally worked on the drawings. I do know that Mr. Cooper's New York office and his staff of engineers worked on drawings during that period. I also know that Sanderson's and Porter's New York offices worked on drawings during that period. Those costs, by the way, have been allowed in my determination of original cost.

. . .

[9731] By MR. KING:

Q. Mr. Newlands, have you eliminated any amounts expended for supervision over the drawings we have been talking about? A. I have allowed actual direct supervision of the preparation of those drawings. It is possible that some of these drawings passed through Cooper's or Hutchinson's hands. I have disallowed all of Cooper's fee which would be applicable to the period of cessation as well as all of Hutchinson's salary applicable to the period of cessation.

Q. Wasn't all of the work of Cooper's firm done directly under his supervision? A. No, it certainly was not. The New York office which was drawing these plans was under the direct supervision of a Mr. Parsons.

Q. Mr. Cooper was not hired to devote all of his time to this project, was he? A. That is right.

Q. Neither were Sanderson and Porter? A. That is right.

Q. Now, Mr. Newlands, will you refer to page 22 of Exhibit 51? A. Yes, sir.

Q. Under the subdivision "Suspension of Work" on that page you state, do you not, that on November 1, 1907 "All [9732] construction work was halted except for maintenance and cleaning up work and placing of a small amount of concrete necessary to protect the existing plant." Is that correct? A. Yes.

Q. What do you mean by "small amount of work," Mr. Newlands? A. That term is a relative term. The amount of work done was small in comparison with the size of the project and the amount of work which had been going on previously to November 1, 1907.

Q. By the words "small amount of work" you intended to cover most of the items we have recently been discussing. Is that correct? A. That is right. This particular term "small amount of work" refers to the concrete which was placed during the one or two months immediately following November 1, not to the work which was done during the tailrace excavation period.

Q. What do you mean by "necessary to protect the project"? A. I believed it was considered necessary at that time to complete any work which was in a half-completed stage in order that floods would not damage it, and I believe to bring certain of the walls up to a certain height for the same reason.

[9733] Q. Was any work done of a nature that was not necessary to the completion of the project? A. During what period?

Q. The period we have just been discussing. A. Oh, yes.

Q. What? A. The work which was charged to the cessation account for one thing. The cost of cleaning up the plant did not contribute to the completion of the project.

Q. You mean by that that you never clean up the

ground or machinery at all during construction? A. No. I mean by that that the clean-up work which was done in order to prepare for cessation was of tremendously greater extent than would have been done while construction activities were in progress.

Q. What was the type of this clean-up work which you referred to? A. It would be necessary to strip all of the forms from the concrete and store them. It would be necessary to provide a safe and dry place for their storage. It would be necessary to take all the construction tools which were scattered at various places on the construction project, bring them to one place, grease them and otherwise prepare them to protect them against the elements, and to store them in a safe place if such a safe place were available, or [9734] even to construct a shed if it were possible to do so and it were economical to do so. It would mean cleaning up any obstructions around the place which might make the company liable to other persons who happened on the project while the cessation was in progress if the property were not properly patrolled.

Offhand that describes the work that I can think of now. There is other work in connection with cessation that I don't recall at the moment.

Q. What do you mean by storing forms? A. They would be piled up in some sort of order and they might be put under shelter.

Q. Does your answer contemplate an understanding that the company at that time intended to re-use those forms? A. Yes, some of them would naturally be re-used, I would say. The forms for the dam, for instance, I imagine could be shifted from one section to another, or at least part of them could. The dam had not been completed when construction stopped.

Q. Mr. Newlands, do you know whether or not the concrete work on the spillway was completed at the time the forms were removed except for the siots? A. Which spillway are you referring to—you mean the dam itself?

Q. The spillway. Do you know what a spillway is?
[9735] A. Yes, there can be several spillways. The dam itself is a spillway.

Q. How many spillways are there? A. I believe there was another section of the dam where there was a spillway for ice conditions. It was called an ice chute but it is a spillway.

Q. Where is this ice chute which you call a spillway?
A. It is not in existence today.

Q. What became of it? A. There are several ice chutes, by the way. Perhaps I should be more specific.

Q. Where are they? A. Some of them are through the powerhouse substructure. I was not referring to those. I was referring to the spillway between the powerhouse structure and the land, the shore on the Lancaster side. At one time they had made provision for a spillway to take care of icing conditions which might occur. The railroad tunnel ran under that spillway.

[9738] By Mr. KING:

Q. Now, Mr. Newlands, will you please refer to page 38 of Exhibit 51? A. Yes, sir.

Q. Do you have that page in front of you? A. Yes, I have.

Q. Was the interest rate shown there averaging somewhat less than six per cent determined by you after a study of the loans outstanding during the construction period?
A. That is correct.

Q. Now, Mr. Newlands, assume that \$1,000 is borrowed by Mr. "A" from a bank and that "A" agrees to pay to the bank interest at the rate of five per cent and a one per cent commission, and at the end of the year "A" pays the lending bank \$1,060 in full payment of the loan, plus interest and commission. What in that assumption is the interest rate? A. It would be six per cent.

Q. I beg your pardon? A. Six per cent, that is the total interest rate including the commission.

Q. You mean by your answer that is the effective [9739] interest rate, the six per cent you referred to? A. Well, you don't usually speak of it as an effective interest rate in connection with that type of loan.

Q. Just interest rate? A. That is right.

Q. Now, Mr. Newlands, assume "A" borrows \$1,000 from the bank at five per cent interest but a one per cent commission of \$10 is deducted from the cash received by him at the time the loan is made, and he therefore receives cash of only \$990. Assume further that at the end of a year "A" pays the bank \$1,050 in full payment of the loan and interest. Is the interest rate in excess of six per cent in that assumption? A. It would usually be considered to be six per cent.

Q. I asked you if it would be in excess of six per cent. A. Well, you can make a calculation, reducing the principal amount, based on the \$990 received by the person and that would give you an interest rate slightly in excess of six per cent.

Q. Mr. Newlands, I show you a one-page document entitled "Pennsylvania Water and Power Company Calculation of Average Cost of Money to Susquehanna Contracting Company for the period from April 14, 1905, to November 1, 1907." [9740] This is a photostatic copy of one of the working papers which you furnished us. I ask you to examine a copy and ascertain if that is correct? A. Yes, it appears to be a copy of the working paper which we supplied to the company.

MR. KING: May we have the document I just described marked for identification as Exhibit 236?

TRIAL EXAMINER: Yes, it may be so marked.

(The document referred to was marked for identification as Exhibit No. 236.)

MR. KING: I herewith hand Your Honor three copies and five copies to Mr. Goldberg.

By MR. KING:

Q. You said that was a photostatic copy of your work?
A. Yes, that is right.

Q. Is Exhibit for Identification 236 the working paper which furnished the basis for your calculation of the weighted average interest rate of 5.98 per cent included in the narrative of page 40 of Exhibit 51? A. That is right.

Q. Does your method of computation as shown in Exhibit for Identification 236, Mr. Newlands, give any weight to the fact that the one-half per cent commission paid to Knickerbocker Trust Company was paid in advance? A. I did not deduct the amount of the commission [9741] from the principal amount of the loan in making this interest determination for several reasons: One is that the commission as such was not deducted from the principal of the loan. It was a separate payment.

Another reason is that the calculations would have resulted in only a very slight modification in the figures that show here. It wouldn't have amounted to even one-tenth of one per cent.

A third reason is that in determining effective interest rates you usually are talking about determining effective interest rate of bonds. The interest on bonds usually is paid semi-annually. In this case these interest payments were made annually. If you are going to determine an effective interest rate which is comparable to the effective interest rates which are usually determined for bonds you would have to take into consideration the fact that interest payments for the first six months were deferred until the end of the year. That would be an offset against the payment of the commission at the beginning of the period of the loan. It would more than offset it, I might say.

Q. But as I understand your answer, then, your calculation does not take into effect the fact that the commission was to be paid in advance. Is that right? A. No, I did not say that. I say I did not deduct the amount

of the commission from the principal of the loan [9742] in determining the interest rate.

Q. Did you or did you not give effect to the fact that commission was paid in advance in Exhibit for Identification No. 236? A. Oh, yes, I gave it consideration in effect, because I didn't adjust for the fact that the interest had been paid at the end of the year instead of semi-annually, which is what would usually be done in the case of bonds. That is the way the effective interest rate on bonds is calculated.

Q. In Exhibit for Identification 236, how did you give effect to what we have been discussing? A. I allowed one to offset the other.

Q. Point it out on the exhibit. Do you have one in front of you? A. I have one in front of me. It does not appear as a separate item on the exhibit.

Q. Then you give no effect to it in the exhibit for identification No. 236, is that right?

MR. GOLDBERG: I object to that question, Mr. Examiner, as contrary to what the witness has stated. He just answered the precise question.

MR. KING: It doesn't appear there.

MR. GOLDBERG: He has explained why if you will just listen to him.

[9743] TRIAL EXAMINER: Objection is overruled.

THE WITNESS: May I have the question, please?

(Question read.)

THE WITNESS: That is not so, as I have explained before.

By MR. KING:

Q. Just a minute. You say that is not so? A. That is right.

MR. GOLDBERG: Let him finish his answer, please.

TRIAL EXAMINER: Finish your answer.

THE WITNESS: That is not so because I offset the fact that the interest payment itself was made at the end of the year, which was a much larger amount than the commission, by the way, against the fact that the commission was paid at the beginning of the period.

By MR. KING:

Q. Will you point out on the Exhibit for Identification Number 236 in front of you just how you gave effect to the fact that the commission was paid in advance by columns. The exhibit has, as I understand it, five columns. Take the first column. That includes dates. Is that correct? A. That is right.

[9744] Q. Is it given effect in that column? A. No.

Q. Do you give effect to it in the next column? A. No.

Q. In the next one entitled, "Number of Days to November 1, 1907"? A. No.

Q. In the next column entitled, "Total Days"? A. No.

Q. In the last column entitled "Interest Paid for Period to November 1, 1907"? A. It is given effect by a combination of the figures shown in the last column and the total dollar days.

Q. How can it have effect in the last column if it does not appear in any of the others? A. Because I am saying I offset two opposing items. The figures are not there.

Q. That is what I want. The figures do not appear on Exhibit for Identification 236? A. That is right. I offset the two facts because I knew that one fact would more than counterbalance the other and make my interest rate smaller, if anything, rather than larger.

[9745] Q. I asked you to look at 169, Mr. Newlands, Exhibits 168 and 169. A. I had the wrong ones. What is the question now, please?

(Question read.)

By MR. KING:

Q. You were looking at the wrong exhibits, as I [9746] understand it. A. Yes.

Q. Now that you have the correct ones will you state whether you considered them in connection with your preparation of Exhibit 51? A. Yes, I did.

Q. Did you consider they had any material effect upon any of your determinations in Exhibit 51? A. They had some effect. I don't know just how material. I considered other facts besides these in that connection.

Q. Was the effect slight? A. Well, there was other evidence which I considered had equally as great weight, perhaps even greater weight.

Q. How much greater? A. I can't give you any exact percentage of weight.

Q. Fifty per cent greater weight; 25 per cent greater weight? A. I have never attempted to determine the exact weighting of each of the exhibits I examined and how they affected my determination. I know that these entered into my determination.

Q. How did you reach any conclusions if you didn't know how much weight you gave to different pieces of evidence? A. In this particular case the evidence was all to the same effect. It was not contrasting evidence. I didn't [9747] have to know the weighting to be given to each piece of evidence if it all bore on the same point and had the same tenor.

Q. You gave weight to Exhibits 168 and 169, however? A. Yes.

Q. And it was less weight than you gave to other exhibits which you considered. Is that correct? A. I say it may have been slightly less than I gave to other exhibits.

Q. Did you consider Commission's Exhibit 199? I believe you have that before you. A. No, I have not.

Q. That is did you consider it in connection with your preparation of Exhibit 51?

Q. I hand you respondents' copy of that exhibit and ask you to look at it. A. Yes, I have looked at it.

Q. Did you consider that exhibit in connection with the preparation of Exhibit 51? A. Yes, I did.

Q. Did you give it any material effect in connection with your recommendations or conclusions of Exhibit 51?

A. It was considered by me in connection with the determinations in Exhibit 51 and received weight in that regard.

[9748] Q. Did you give it the same weight you gave Exhibits 168 and 169? A. About the same, I would say. It is the same type of information.

Q. Did you take any expert advice, either legal or otherwise, in connection with your disposition or weighting of these exhibits we have been referring to? A. By "expert advice" what do you mean?

Q. Any legal advice? A. No.

Q. Any financial advice? A. No.

Q. Any engineering advice? A. No, certainly not.

Q. Now, Mr. Newlands, in connection with your consideration of the three exhibits, namely 168, 169 and 199, did you examine Sections 20 and 21 of the Act of June 7, 1879, as amended, of the Pennsylvania laws? A. No, I did not. I examined the capital stock tax returns themselves.

Q. Of the company? A. That is right. I don't remember whether they have an excerpt from the particular paragraphs you are mentioning on the tax return. They do describe, I believe, or at least give information as to how the values are to be determined.

[9749] Q. You read them, you say? A. Yes.

Q. What do you understand was the requirement at that time, namely 1905, 1906 and 1910, of the Pennsylvania laws for valuing corporate stock for tax purposes? A. Are you asking me for a legal opinion?

Q. You said you read the form. I am asking you what conclusion you came to from that reading in connection with what the Pennsylvania law required? A. Yes, but

I didn't state that I had read the Pennsylvania law. I said I had read what was on the form. If there was any excerpt on the form I read it. I am not certain whether I have read the Pennsylvania law or not.

Q. You said, as I understood it, that the excerpts gave some indication as to the effect of the Pennsylvania law.
A. That is right.

Q. I am asking you your opinion as an accountant. What did the material which you read indicate to be the effect of the Pennsylvania law at the time in question, namely, in 1905, 1906 and 1910? A. The information on the tax returns plus other correspondence and memoranda which were in the file indicated to me that the company was supposed to declare a value on its capital stock equal to the actual value of the assets behind that capital stock at the date of the determination which, [9750] in the first period at least, was the first fifteen days of November of that particular year.

Q. And that is your understanding from reading the form as to what the Pennsylvania law required. Is that correct? A. That is right. There seemed to have been some question involved as to whether liabilities should be deducted before determining the cash value, but other than that my answer stands.

Q. It was with that understanding of the effect of the Pennsylvania law at the time in question that you considered the Exhibits 168, 169 and 199. Is that correct?
A. That is right.

Q. What did the form show in connection with the deduction of liabilities, if it showed anything? A. It didn't show anything. I discovered that fact in the correspondence, that is except that the information on the tax return was so worded that it might indicate that liabilities should not be deducted. It didn't specifically state that liabilities should or should not be deducted.

Q. That was the conclusion you reached as a result of examining the form? A. That is right, yes.

Q. How did you finally construe the effect of the form, that it was proper to deduct the liabilities or not? A. I didn't construe the form.

[9751] Q. I thought you said you read it. A. I did.

Q. Took the understanding you derived from reading it into consideration in valuing and preparing the exhibits we are talking about? A. That is right; to some extent.

Q. You made no determination, then, as to whether in your opinion liabilities could be deducted? A. I am not certain whether the company, in filing this return, finally decided that liabilities should be deducted before determining cash value. The question was raised but I didn't find the answer.

Q. That is in your investigation you did not determine any answer. A. That is right.

Q. And you thought it was unnecessary to pursue the matter further to determine the answer. Is that correct?

A. Since they declared there was no value I thought it was a fruitless search. The answer would have been the same in either case, unless you got a negative answer for the stock.

Q. So you concluded, as I understand it, you did not have to take any legal advice in connection with the Pennsylvania law in order to properly construe and give weight to Exhibits 168, 169 and 199. Is that right? [9752] A. I didn't have to give legal weight to determine what the purpose of the filing was.

Q. I didn't refer to legal weight. My question is did you or did you not consider it was necessary in your consideration of these exhibits that you take legal advice in connection with the effect of the Pennsylvania statutes? A. No, I did not think it was necessary.

Q. Assume that the effect of the Pennsylvania law, Mr. Newlands, to which I have referred in 1905, 1906 and 1910 was that only a nominal value would be placed upon corporate stock for tax purposes if the corporation had no net earnings and if the stock did not have an established

market value during the year. Under that assumption would capital stock taxes paid during those years have any effect upon your determination as to the value of the stock for any other purpose than taxation?

. . .

THE WITNESS: You are asking me to assume that that fact was actually known at the time these tax returns were filed?

By MR. KING:

Q. I am asking you to assume that that was the effect of the law of Pennsylvania at the time in question, namely 1905, 1906 and 1910. A. And that these returns were filed with knowledge of [9753] that assumption?

Q. That is correct. A. The weight I would give to it—I would give weight to it in my determination.

Q. What weight? A. I don't know the exact percentage.

Q. Then do you mean that you would have changed your determination in connection with your consideration of Exhibits 168, 169 and 199, if the law had been as I have asked you to assume it was? A. Do you mean, would I have given—

Q. Any different consideration than you did to those exhibits? A. No, I don't believe so.

Q. Then as I understand it you would have concluded that the exhibits were material in connection with indicating a value for all purposes on McCall Company stock, even though the law was as I have asked you to assume it?

. . .

[9754] THE WITNESS: Yes, because the exhibit itself contains statements by the officers and directors as to what information was available as to the value of the stock. That information is good no matter what the Pennsylvania law says you have got to declare.

. . .

[9757] By Mr. KING:

Q. Let's assume in connection with the construction of the Holtwood project there had occurred a flood which lasted for a period of six months, and that because of the existence of that flood no construction activity could be carried on.

Would you exclude that six months' period from the construction period in computing interest during construction? A. No, I don't believe I would.

Q. You would allow that? A. That is right; if it were an engineering impossibility to continue to work during that period.

Q. Would you allow the overhead during that period? A. Yes, so long as it was intended to go right along with construction and there was no reason to assume that it would be stopped.

[9759] By Mr. KING:

Q. Mr. Newlands, will you turn to page 45 of Exhibit 51? A. That is the text?

Q. Of the text, yes. You refer, do you not, on that page to an explanation furnished you by Mr. Bortner at your request? A. That is right.

Q. Did you not furnish Mr. Bortner a longhand list of ten questions which you desired answered during the investigation? A. That is one of the items furnished. I made other requests besides that list of questions.

Q. But you submitted those ten questions? A. At one time I did, yes.

Q. Did Mr. Bortner furnish you with written answers [9760] concerning these questions? A. He furnished me with written answers. Whether they covered everything in the questions I am not certain at the present moment.

Q. You read the material he furnished you, didn't you? A. Yes.

Q. Is the information which you indicate you got from Mr. Bortner on page 45 of Exhibit 51—strike that, please.

Did Mr. Bortner furnish you with a memorandum dated May 6, 1945—May 16th, 1945? A. I will have to look that up.

Q. In response to your request? A. It is over on this table. May I get it?

Q. Please do. A. Yes, I was furnished such a memorandum.

Q. I show you a copy of the memorandum I just referred to and ask you if you will look at it sufficiently to determine whether that is a copy of the one you have? A. It appears to be. I have not compared every item there item for item but it appears to be the same.

. . .

[9761] (Thereupon, the document referred to above, with schedule, was marked Exhibit No. 237 for Identification.)

. . .

By Mr. KING:

Q. Mr. Newlands, you have stated, have you not, that to the extent that these expenses, namely, the ones we are talking about, represented first surveys of properties you would allow them. Is that correct? A. That is correct.

Q. Did you make any determination to ascertain which of the surveys represented first surveys? A. It was impossible to do that from the information [9762] which was available to me.

Q. Did you request anybody to make an investigation to determine that fact? A. I requested Mr. Bortner to produce all of the facts concerning the flowage basin which would support their inclusion in plant account.

Q. Did you specifically ask him to make a determination as to which of the surveys represented first surveys? A. No, if I asked for information for support it is up to the company representative to furnish all information which he considers important.

MR. KING: I move to strike all of the witness' answer after the word "No."

TRIAL EXAMINER: Motion to strike is granted.

[9765] By MR. KING:

Q. * * * What did you mean, Mr. Newlands, when you stated a moment ago that you had allowed the expenses representing first surveys of property? What did you understand the meaning of the word "survey" to be in that connection? A. I don't believe I made that exact statement.

The amounts I have allowed for surveying property might include inadvertently, because I didn't know, second or third surveys. But I presumed that they contained first surveys since they were charged to survey account in the books.

Q. That is not my question. What did you mean by the word "survey" used in that connection? A. As used in Exhibit 51?

Q. By you as used in Exhibit 51 or as you used it in your last answer. A. My use of the word "survey" in Exhibit 51 was [9766] confined particularly to property surveys.

Q. And confined to property surveys alone? A. That is right, if I remember my paragraph correctly.

Q. By "property surveys" do you mean surveys to ascertain boundaries? A. Yes, at the time that the property is purchased.

Q. Now, Mr. Newlands, have you ever developed or assisted in developing a water survey's profile or a rating curve? A. No, I have not.

Q. Mr. Newlands, is it or is it not a fact that all you know about the engineering salaries and expenses of 1911 to 1924, referred to on page 44 of Exhibit 51, was derived from the information received from Mr. Bortner in the

memorandum of May 16, 1945? That is Exhibit for Identification No. 237. A. Did you mean page 44 or 45?

Q. On page 44 of an item entitled "Engineering Salaries and Expenses," do you not, 1911 to 1924? A. That is right, yes.

Not quite all of the information I received came from Mr. Bortner. I examined, and my assistants examined, a great number of the vouchers. We also examined what payroll information we could find. We examined the analyses of the account on the books. There were slight bits of information in there.

[9767] Q. In where? A. In these various sources which, however, did not contain enough information to tell me the nature of the charges that were being charged to flowage basin account segregation of the charges between the various types of work, what work was being done, when it was being done, or what the purpose of it was.

Q. So that all the information, as I understand it, you have about this particular subject matter, other than what you were able to determine from the vouchers and analyses, came from Mr. Bortner. Is that correct? A. There was some supplementary information in the fifteen filing cabinets. There, again, it is impossible to relate exactly the information shown there with the actual charges on the books.

Q. Was there any supplementary information in the fifteen filing cases relating to the period after 1910? A. Yes.

Q. There was? A. Yes.

Q. Can you specify what that was? A. There were various letters to Bennett, for instance, whose salary and expenses are charged in flowage basin account, a portion of them, at least, during 1911 and 1912.

Q. Weren't those letters in connection with storage [9768] reservoirs and not engineering salaries and expenses? A. Not all of them, no.

Q. Can you give us the date of one letter which you found which does relate to engineering salaries and ex-

penses after 1910 from the fifteen filing cases? A. I cannot do that offhand, no.

Q. How much time would it take to do that? A. I probably would have to look through my files. It might take ten or fifteen minutes. Of course, that wouldn't exhaust the subject, however. I have not taken a copy of all the letters I saw in the files.

Q. Why? Because the ones you didn't copy were immaterial? A. No, because it was an impossibility. I copied only those which were most important.

Q. In your opinion? A. That is right.

Q. Why did you not include in Exhibit 51 all of the information furnished you by Mr. Bortner? A. It is not necessary for me to include in my report every bit of information I get from every source.

Q. Go ahead. A. It would require several volumes in an exhibit of this sort if I were to do that.

[9769] By MR. KING:

Q. I asked you why you did not include that information, Mr. Newlands. A. Because the accounting report which we submit in these cases is intended primarily to describe the conclusions which we drew and give, perhaps, the main facts upon which they are based, not all of them.

Q. In drawing your conclusions did you have in mind all of the facts furnished you by Mr. Bortner? A. Certainly.

Q. Did you give effect in your conclusions to all the facts furnished you by Mr. Bortner? A. Yes.

Q. Do you refer any where in Exhibit 51, either at page 45 or elsewhere, to either Schedule "A" or Schedule "B" attached to the memorandum of May 16, 1945, Exhibit for Identification 237? A. No, I do not.

[9770] Q. Mr. Newlands, I refer you to page 46 of Exhibit 51. Do you have that before you? A. Yes.

[9771] Q. Can you tell me what investigation, if any, you made in connection with your recommendation that expenses

of the Lancaster office and Mr. Bushong's salary be disallowed from 1916 on? A. May I have that question, please?

(Question read.)

THE WITNESS: I investigated the properties purchased during the entire period from 1910 to 1935 or 1936, secured from Mr. Bortner a list of the properties purchased, also secured from the analyses of the accounts themselves, the flowage basin account, a list of the properties purchased. I examined the 15 filing cabinets for any indication of what Mr. Bushong or his assistants in the Lancaster office were doing at that time. I asked Mr. Bushong to furnish me with whatever additional information, any information, he could give me concerning the activity of the Lancaster office and Mr. Bushong during this entire period.

By MR. KING:

Q. Mr. Bushong is dead, isn't he? A. Yes.

MR. GOLDBERG: I think you said you asked Mr. Bushong.

THE WITNESS: I meant that I asked Mr. Bortner.

. . .

[9772] By MR. KING:

Q. I show you copy of a memorandum dated March 29, 1945, entitled "Re, Lancaster Office Expense" together with a copy of schedules dated April 5 and April 14, 1945, and ask you to examine those documents. A. My other papers are in another volume. May I check those?

Q. Certainly. [9773] A. Yes, I was furnished with those schedules.

. . .

(The documents referred to were marked for identification as Exhibit Number 238.)

. . .

By MR. KING:

Q. Mr. Newlands, do you have in front of you at this time your set of Exhibit for Identification 238? A. Yes, I do.

Q. The schedule of April 5, 1945, indicates, does it not, Mr. Newlands, that property was acquired during the years 1921, 1922, 1923 and 1924. Isn't that correct? [9774]

A. That is right. That is what the statement would indicate.

Q. Did you make any investigation to determine whether the properties mentioned in the Schedule of April 5, Exhibit for Identification 238, were actually acquired during those years? A. I compared the information given here with the information we had drawn off of the flowage basin accounts.

Q. Did you determine the properties listed in the Schedule of April 5 in the Exhibit for Identification 238 were acquired? A. During those years?

Q. Yes, during those years. A. And you are referring now only to the items included under "Deed Acquired"? That would represent the purchase of the property.

Q. That is right, Mr. Newlands? A. Yes, I determined that those properties had actually been acquired.

Q. Did you make an investigation for the purpose of determining, Mr. Newlands, whether or not Mr. Bushong, during the years 1916, to and including 1924, was active in connection with acquiring property shown on the Schedule we are discussing, that is the one of April 5, 1945, in the Exhibit for Identification 238? [9775] A. I examined all the information which was available to me concerning it and we examined a great number of the deeds. I believe Mr. Bortner was requested to furnish us any information as to which properties Mr. Bushong had purchased personally. I believe some were probably purchased by agents.

Q MR. KING: May we have the answer to that question read, Mr. Examiner?

(Question read.)

By MR. KING:

Q. You mean agents for the company? A. That is right.

Q. Other than Mr. Bushong? A. Well, they may have been acting for Mr. Bushong—they may have been acting for the company.

Q. Did your investigation enable you to determine to whom the agents you referred to reported to? A. No. In a good many cases I imagine they would report to Mr. Bushong.

Q. Do you know of any case in which they would not? A. Well, I don't know as a matter of fact whether any of the agents did not report to Mr. Bushong. I wasn't able to determine in some cases who they reported to.

Q. In your determination in connection with both the Lancaster office expense and Bushong's salary did you [9776] rely primarily upon information furnished you by Mr. Bortner? A. What was one of the items. It was not the primary consideration, no.

Q. What was the primary consideration? A. There wasn't any primary consideration. I considered all of the facts as I knew them.

Q. Where did you get the facts you speak of? A. Some of them came from the 15 filing cabinets, some came from the discussions I had with Mr. Bushong and Mr. Diehl, whom I believe was there at one of the conferences.

MR. GOLDBERG: You mean Mr. Bortner?

THE WITNESS: Yes, Mr. Bortner and Mr. Diehl. Some of it may have come from the analysis of the accounts themselves and the vouchers involved.

By MR. KING:

Q. Did you find any material in the 15 filing cases in connection with this item? A. I found material in the

15 filing cases which indicated that Bushong did a great deal more than buy property.

Q. I asked you, Mr. Newlands, if you found any information in the 15 filing cases in connection with the particular item we are now discussing. [9777] A. In connection with this purchase of property?

Q. Yes.

. . .

THE WITNESS: I thought I was following your lead. I thought you were asking me whether I found anything in the 15 filing cabinets which showed Mr. Bushong's activities in connection with the purchase of these particular properties. Is that correct?

MR. KING: That is correct.

By MR. KING:

Q. Did you?

MR. GOLDBERG: "These particular properties". Is that the schedule in Exhibit 238?

THE WITNESS: Listed in Exhibit 238?

MR. GOLDBERG: Yes.

MR. KING: That is correct.

[9778] MR. GOLDBERG: Thank you.

By MR. KING:

Q. Go ahead. A. Yes, there was some evidence concerning the purchases of the earlier property, mostly of a general nature. In other words, I recall one letter which mentioned the fact that Mr. Bushong was to buy the properties along Conestoga Creek, and there are other letters of that nature.

Q. Did you find anything in relation to the properties acquired after 1916 in the 15 filing cases? A. Not including 1916, is that correct?

Q. Well, yes. A. Including 1916, from 1916 on?

Q. Say from 1917 on. A. Yes, I believe there were memoranda and correspondence in the files regarding flash-board cases which contained references, I believe, to the purchase of property in this later period. I believe that was so. I also found references in connection with the purchase of the property used for the river coal operations in various of the memoranda in the 15 filing cabinets.

Q. Do you now recollect the date of that correspondence to which you referred? A. No, I couldn't remember that detail.

[9779] Q. Is it not a fact, Mr. Newlands, that the schedule dated April 5, in the Exhibit for Identification 238, shows that 16 properties were acquired by the company from 1916 to and including 1924? A. That would seem to be a fact based on the statements given here.

Q. Well, is it or isn't it a fact? A. Well, I would have to check with my other working papers to determine that. I believe this is correct.

Q. Now, Mr. Newlands, what investigation, if any, did you make to determine facts concerning the Benjamin Davis mortgage which you referred to on page 46 of the text of Exhibit 51? A. I asked Mr. Wetzel to furnish me with the facts concerning the Benjamin Davis foreclosure.

Q. Mr. Wetzel, your say? A. Mr. Wetzel, that is right.

Q. Is that all? A. That is right, yes. I might add that of those properties purchased from 1920 to 1924, many of them were for the river coal recovery operations, which at that time was a proposition handled by Holtwood Coal Company as a commercial marketing operation. It had nothing to do with the hydro operation.

Q. Weren't those properties to which you referred [9780] also useful in the flowage basin? A. No, because the company had flowage rights over the same property. They acquired the lien at the time they decided to go into the river coal recovery operations in order to obtain a place for their riverside coal plant. They selected the site at

Shenks Ferry because the railroad happened to be located at an advantageous position for river coal recovery operations.

Q. Didn't title of the lands about which you are speaking, Mr. Newlands, go under the name of Penn Water?

A. Title was taken to the land by Penn Water and leased to Holtwood Coal Company.

Q. Then the answer to my question is "yes," is that correct? A. That is right, yes.

Q. Mr. Newlands, do you know that as a matter of fact there were four separate actions filed in the lower courts of Lancaster County and two appeals in the upper court concerning the title to the Ben Davis property between the years 1913 and 1919? A. No, I did not.

Q. Did you ever make any investigation to determine that fact? A. No, I never knew it was necessary to make such an investigation. From the information I had received [9781] the company had originally purchased a mortgage on that property and in 1919 Mr. Wetzel informed me that the mortgage was foreclosed. He didn't tell me any of these other details you are now mentioning.

Q. In any event you didn't ask Mr. Bortner anything concerning the Benjamin Davis mortgage, did you? A. No, because I thought I had all the information available or necessary.

. . .

[9783] By MR. KING:

Q. Mr. Newlands, I direct your attention to page 47 of Exhibit 51, with particular reference to the statement made at the top of the page, "Sundry Legal Fees." A. Yes, sir.

Q. Do you have that before you? A. That is right.

Q. Did not Mr. Bortner, in response to your request, furnish you with a memorandum dated August 6, 1945, in [9784] connection with the matter we are discussing? A. May I see your copy? I don't seem to have it here.

Q. You certainly may. A. Yes, I have not yet located them in my papers. Are you going to ask questions about it? I want to locate it.

Q. Is the copy I show you a copy of the one which you have in your file? A. It appears to be, without a direct comparison.

Q. Did you actually receive a document dated August 6, 1945, from Mr. Bortner in response to your request?

A. I believe so.

. . .

(The document referred to was marked for identification as Exhibit Number 239.)

. . .

[9787] By Mr. KING:

Q. Page 34 of the text of Exhibit 51. Do you have that in front of you, Mr. Newlands? A. Yes, I have that.

Q. On that page you have recommended that the Commission disallow portions of fees paid to Cooper, Sanderson and Porter and part of the salary paid to Hutchinson, have you not? A. That is right.

Q. Did you recommend the elimination of approximately thirty thousand dollars paid to Cooper as shown by your Schedules 12-B and 14 of Exhibit 51? A. Can you give me the page number for quick reference?

Q. Page 39, I believe. A. You mentioned another one.

Q. Page 39 of the schedule and page 43 of the schedule.

THE WITNESS: May I have the question now, please?

(Question read.)

THE WITNESS: That is correct.

TRIAL EXAMINER: What are the figures which add up to \$30,000?

THE WITNESS: The item under "Engineering Experts salaries to Hugh L. Cooper, hydraulic engineer, \$14,107.21",

and on page 43 the first item under the top grouping of claims against McCall Ferry Power Company "Hugh L. Cooper, completion bonus, \$15,819.06".

[9788] The slight discrepancy between the total of those two and the flat amount of thirty thousand dollars is due to an adjustment made with Cooper on his traveling expense account.

MR. KING: I believe I referred to the figure as approximate in my question, your Honor?

By MR. KING:

Q. Was your sole reason for recommending the disallowance, Mr. Newlands, of approximately thirty thousand dollars because Cooper did not complete the work in your opinion for which he had contracted? A. That is one of the reasons. The other reason that the company incurred an expense of sixty thousand dollars to complete the work. The sixty thousand dollars was paid to Empire Engineering Corporation to complete the work which Cooper had started.

Q. Do you know when Cooper ceased working on the project? A. I don't understand exactly what you want me to answer there.

Q. I want you to answer as to the fact.

MR. GOLDBERG: I think you understand what the witness means.

TRIAL EXAMINER: Proceed.

THE WITNESS: Cooper never did any actual work on the project. He supervised it. He was not at McCall Ferry all [9789] the time. There is no way for my telling or anyone telling exactly what time he spent there. His work in connection with the construction would, of course, have to stop with the cessation of the work.

Q. When was that? A. November 1, 1907.

Q. Do you know whether Cooper's firm or he individually was responsible for the work on the tailrace in

1908? A. Yes, that work came under the supervision of Cooper's department.

Q. Did you make any investigation, Mr. Newlands, to determine whether the services of Cooper or his organization were performed in return for any part of the thirty thousand dollars of Cooper's compensation you have recommended for elimination? A. I tried to determine it by reviewing all of the facts which were available to me.

Q. Did you determine it? A. I determined that Cooper had not completed his work for which the total fee would be payable to him.

Q. Did you determine, Mr. Newlands, whether Cooper performed, or his organization performed, work in return for any part of the approximately thirty thousand dollars which you have recommended for elimination? A. I determined that Mr. Cooper did not perform all of the work he should have in return for that thirty thousand [9790] compensation.

By MR. KING:

Q. I asked you, Mr. Newlands, if he performed any of it.

MR. GOLDBERG: This was a completion bonus, wasn't it, we were talking about?

MR. KING: Talking about the thirty thousand dollars Mr. Newlands recommends for elimination.

MR. GOLDBERG: Completion bonus.

THE WITNESS: That is an extremely difficult question to answer because it involves spreading Cooper's fee over the work he did. It is impossible for anyone at this time to make that spread. Mr. Cooper himself was probably the only one who would have the information to do that.

By MR. KING:

Q. I asked you if you did it.

MR. GOLDBERG: Let the witness finish.

TRIAL EXAMINER: Just a minute. You may finish.

THE WITNESS: No, because it was impossible from the information which was available to me.

[9791] Q. Did you consider part 28 of Exhibit 27 in connection with your determination with regard to this matter?

A. Yes, I did.

Q. Did you read part 28 of Exhibit 27 in connection with your determination? A. Yes, I did.

Q. Mr. Newlands, I show you photostatic copy of a letter dated January 30, 1908 from Hugh L. Cooper to McCall Ferry Power Company, and ask you if you examined that letter or a copy in connection with making your determination?

. . .

THE WITNESS: I believe I have seen this letter in the files.

. . .

(Thereupon, the document referred to above was marked Exhibit No. 240 for identification.)

. . .

MR. GOLDBERG: Who underscored certain of the sentences [9792] appearing on page 2 of the Exhibit, Mr. King?

MR. KING: I don't know who did that at this moment.

MR. GOLDBERG: Do you know whether the underscoring was done in 1908 or by someone recently going through the correspondence?

MR. KING: I assume it was by somebody recently.

MR. GOLDBERG: Someone connected with the company, you think?

MR. KING: Yes.

By MR. KING:

Q. Mr. Newlands, did you make the underscoring?

A. No, I did not.

Q. Mr. Newlands, I show you a photostatic copy of a letter dated March 11, 1908 signed by Cary T. Hutchinson, and directed to Mr. H. F. Dimock, president of McCall Ferry Power Company. I ask you if you considered that letter in making your determinations in connection with Exhibit 51? A. Yes, I have seen that letter and considered it in making my determination.

(Thereupon, the document referred to above, was marked Exhibit No. 241 for Identification.)

[9793] By MR. KING:

Q. You say you considered that letter we have just referred to, Mr. Newlands? A. Yes.

MR. GOLDBERG: Where is the attachment? I note the opening paragraph of Exhibit 241 says "I am attaching a copy of letter just received by Mr. Cooper."

MR. KING: In the files of the company.

MR. GOLDBERG: This is not a complete letter without the attachment.

MR. KING: Well, we will be glad to furnish you copies.

MR. GOLDBERG: I would like to have the attachment produced.

MR. KING: We will be glad to furnish that to you.

By MR. KING:

Q. Mr. Newlands, in making your determination as to the elimination of the amount of approximately thirty thousand dollars paid Mr. Cooper, did you consider work performed by [9794] him or members of his organization on drawings during the year 1908? A. Yes, I did. Those costs have been allowed on my determination.

Q. But you made no allowance in connection with Mr. Cooper's supervision. Is that correct? A. That is cor-

rect, because an additional fee of sixty thousand dollars had been paid to Empire to complete Cooper's work. I was faced with the proposition of disallowing either the sixty thousand dollars or the thirty thousand dollars. I chose the smaller figure.

Q. Mr. Newlands, did you recommend for elimination approximately \$9,200 paid to Sanderson and Porter in your Schedule 14 of Exhibit 51, page 43 of the schedule?

MR. GOLDBERG: May I have the question, please?
(Question read.)

THE WITNESS: That is right.

By MR. KING:

Q. Was your sole reason for making the recommendation to which you have referred that Sanderson and Porter did not complete the work contracted for by them? A. No, it was that fact plus the fact that Pennsylvania Water and Power Company and J. E. Aldred, Receiver, incurred expenses to complete the work which Sanderson and Porter should have done.

[9795] Q. Do you know when Sanderson and Porter ceased work? A. They never began the work on the installation of the machinery.

Q. Do you know when they ceased the work they did perform? A. I believe that some drawing work was going on during 1907 and 1908 in Sanderson's and Porter's New York office. Those expenses we have allowed. I don't know the exact date when that drawing work stopped, but that would be the only work which was going on during that period, during the period of cessation.

Q. Can you give us some idea as to the amount of the expenses which you say you allowed? A. Yes. On page 38 of the schedules—

Q. Would you wait just a moment until I find that page, Mr. Newlands? A. Yes, sir.

Q. All right. A. Under the title "Overheads, Administration", the last item in that group reads, "New

York Office of Sanderson and Porter". For the year 1908 there are expenses of \$6,567.40 stated.

Q. Was that part of their fee? A. No, that was the cost of making the drawings to which you referred during this period of cessation.

Q. How much of the fifty thousand dollar fee have you [9796] allowed? A. How much have I allowed?

Q. If any? A. I don't seem to have all the figures here necessary to make that determination, but it was about \$32,000.

Q. Then you have eliminated about eighteen thousand dollars, is that correct? A. No, I eliminated \$9,210.52.

Q. Did you read the contract between Sanderson and Porter and McCall Ferry Power Company, Part 29 in Exhibit 27? A. Yes, I did.

Q. What did you do with the balance of the dollars representing the difference between \$32,000, approximately, and the \$9,200 you just mentioned? A. I didn't have to do anything with those dollars. They never were paid to Sanderson and Porter.

Q. Mr. Newlands, did you make any investigation to determine whether any part of the work performed by Sanderson and Porter was performed in return for any part of the approximately \$9,200 you have recommended for elimination? A. It was impossible to spread the Sanderson and Porter fee over the work actually done and the work to be done on any information that I had.

Q. Did you endeavor to do it? A. I endeavored to determine all of the information [9797] which would enable me to do so if it could be done, but I decided that it could not be done, and I did not make such a determination.

. . .

By MR. KING:

Q. Mr. Newlands, during the recess were you able to check in connection with Exhibit for identification 239? A. I was not able to find my copy.

Q. Were you able to inform yourself sufficiently to say whether the Exhibit for identification 239 is a copy of the document which you were furnished? A. Yes, I believe this is a copy of the document furnished to me.

Q. Mr. Newlands, did you recommend on Schedule 12-B page 39 of the supplement of Exhibit 51, that the amount of \$10,499.94 paid to Mr. Hutchinson for the period November, 1907 to July, 1908 be eliminated? A. That is right.

Q. Did you also recommend at page 33 of the text of Exhibit 51 that an additional five thousand dollars paid to Mr. [9798] Hutchinson be eliminated? A. That is right.

Q. Was your recommendation in connection with the elimination of these two amounts based solely on the ground that no work was done by Mr. Hutchinson after October 31, 1907? A. No, it was not.

Q. What else was it based upon? A. Based upon the fact that the payments made to Mr. Hutchinson would not have been necessary. If the project had continued to completion Mr. Hutchinson would have been paid during the time full construction was going on. The amounts paid to Mr. Hutchinson during this period represent an added cost, added overhead which would not have been incurred if the construction had proceeded to completion without the cessation.

Q. Is it your position that none of the work done by Mr. Hutchinson during this period contributed to the completion of the project? A. It did not deduct anything from the total construction period of the project.

Q. Did it contribute to the completion of the project? A. It may have, but it represented added expense which would not have been incurred if the cessation had not taken place.

[9799] Q. Did you consider Commission's Exhibits 175 and 181 in reaching your determination to recommend the elimination of these two amounts? Do you have copies of those before you, Mr. Newlands? A. I think I have.

MR. GOLDBERG: What were the numbers? 175 and 181?

MR. KING: That is correct.

THE WITNESS: May I have the question, please?

(Question read.)

THE WITNESS: Yes, I considered them.

By MR. KING:

Q. Those exhibits indicated to you that Mr. Hutchinson did perform work during 1908. Isn't that correct? A. Without reading it all the way through it indicates to me that Mr. Hutchinson made a report to Mr. Dimock of the situation in 1908 and that Mr. Cooper reported to him on April 13, 1908 as to the projected work from April to October, 1908.

Q. Does that mean the answer to my question is "Yes"?

THE WITNESS: I will have to have the question again.

(Question read.)

THE WITNESS: It indicated that Mr. Hutchinson did some work but not that the work contributed to the completion of the job.

By MR. KING:

Q. I didn't ask you that. I just asked you if it [9800] indicated to you that he performed work during the period we are discussing. The answer is "Yes", as I understand it. Is that correct? A. He performed work of some nature.

Q. Mr. Newlands, did you know who Boyd Ehle was? A. Yes.

Q. Who was he? A. He was Mr. Hutchinson's assistant. He was resident engineer at the job of McCall Ferry Power Company.

Q. Was he the only person who worked under or for Mr. Hutchinson? A. No, there were other persons.

Q. He was one of the ones who worked for Mr. Hutchinson? A. That is right.

Q. Mr. Newlands, I show you a file taken from the company's records, which file was obtained by your Staff during its investigation, and which contains approximately 70 letters to Hutchinson from Ehle and from Ehle to Hutchinson, during 1908. Did you or any member of your staff working under your direction consider that file?

[9801] THE WITNESS: I cannot tell without looking at the particular file.

By MR. KING:

Q. Will you look at it, Mr. Newlands? A. Yes, I have seen this file in connection with my investigation.

Q. What consideration, if any, did you give to the letters in that file? A. I considered the facts as indicated by the letters.

Q. Have you considered those facts in arriving at your determination to recommend the elimination of the two amounts paid to Mr. Hutchinson? A. That is right.

Q. Do you know whether or not Mr. Hutchinson brought suit against McCall Ferry Power Company to collect an amount of \$13,416.59? A. Yes, I believe so.

[9802] Q. Do you know that in addition to bringing suit he attached available property of McCall Ferry Power Company? A. Yes.

Q. Do you know that that suit was settled for less than the amount claimed by McCall Ferry Power Company? A. As I understand it it was settled by the payment of the \$5,000 to which you have referred previously.

Q. Mr. Newlands, did the file which I have just exhibited to you, and which you said you considered in making your determination, indicate to you that Hutchinson did work during 1908? A. It indicated that he was engaged in some activity in connection with the project.

[9806] By MR. KING:

Q. Do you have Commission Exhibit 158, Mr. Newlands, in front of you? A. Yes, I have.

Q. That is a letter from P. G. Bartlett of Simpson, Thacher and Bartlett to Mr. Cary T. Hutchinson, dated January 20, 1906. Is that correct? A. Yes.

Q. Did you take that letter into consideration in reaching your recommendations and conclusions and suggestions in Exhibit 51? A. Yes, I did.

Q. What consideration did you give paragraph 1 of that letter? A. Do you want to know how I used it?

Q. I want to know what the first paragraph means to you. A. It means that Harvey Fisk and Sons were to distribute a part of the common stock which was owned by Cary T. Hutchinson.

Q. You mean it indicates to you that Cary T. Hutchinson [9807] owned all of the stock? A. It indicates to me that at this time he did not own all of the stock.

Q. What does the second paragraph mean to you? A. It indicates to me that Harvey Fisk and Sons were acting as a trustee to keep the stock owned by Hutchinson in safe-keeping for him.

Q. You mean the part owned by him or all of the stock? A. It indicates to me all of the stock.

Q. And the first paragraph indicates to you that the writer of the letter was referring only to a part of the stock. Is that correct? A. That is right. There apparently seems to have been a change in the ownership of the stock.

Q. You mean during the time the letter was written? A. No, during the period in which it was held in safe-keeping by Harvey Fisk and Sons. That is a change in the ownership of part of the stock, of course.

Q. Now, I show you a photostatic copy dated January 18, 1906 from Cary T. Hutchinson to Simpson, Thacher and Bartlett and ask you if you examined that letter?

THE WITNESS: I have seen that letter.

[9810] Q. Mr. Newlands, will you turn to page 9 of the Schedule of Exhibit 51? Do you have that before you?

A. Yes, I have.

Q. I direct your attention, Mr. Newlands, to Job Order No. C-2640 in the amount of \$20,615. Do you find that item?

A. That is right.

Q. Was not that job in service, Mr. Newlands, at the end of December, 1945? A. Not that I know of. It was not included in the power bill at that date.

Q. You deny that it was in service? A. I just don't know. So far as I know it was not.

Q. I call your attention to Job Order No. B-2694. Do you find that? It is further down the page from the one I just referred to. A. Yes, I have that.

Q. Was that in service at the end of December, 1945, if you know? [9811] A. Well, that is a credit item. It is a reduction of the costs which appear on the books. If this amount were closed to plant accounts the plant accounts would be reduced.

Q. Take the item "Job Order C-2740" in the amount of \$207.82. A. Yes.

Q. Was that in service at the end of December, 1945? A. I will have to look in my work papers. I think I may have some information on that. I don't recall offhand.

Q. Will you refer to your work papers? A. No, I have no information as to whether that job was placed in service. It was not included in the power bill, however.

Q. How about the prior one that I inquired about, C-2640? Do your work papers throw any light or information throw any light on that? A. My work papers would indicate that that had not been placed in service.

Q. What is the date of those work papers? A. January 24, 1946. I believe I have stated previously that was not included in the power bill.

Q. Now, Mr. Newlands, take item Job Order B-2711. Was that in service at the end of December, 1945? A. Did you say B-2771?

Q. B-2711—\$2,195. [9812] A. My work papers would indicate that that had not been placed in service and it was not included in the power bill.

Q. Now, take the next item, C-2722 in the amount of \$1,071.13. Was not that in service at the end of December, 1945? A. Ordinarily items of that nature are in service immediately that they are purchased; that is calculating machines and furniture and so forth.

Q. Does that mean your statement is that that item was in service at the end of that time? A. That probably was in service at the end of 1945.

Q. Take the next item, C-2725, in the amount of \$14,992.75. Was not that item in service at the end of December, 1945? A. This indicates it was not. The property was purchased from T. S. Martin by contract dated December 10, 1945. It was property used by Martin in recovering river coal from the river. By that date I believe river coal operations would have stopped and there would be no opportunity to put it in service until river coal operations began again in the spring. I understand that the equipment was pretty dilapidated in any case.

Q. Do you know what date the river coal operations stopped in 1945? A. No, I do not know the exact date.

Q. Then how do you draw the conclusion you just stated? [9813] A. It is my impression that river coal operations usually stop before this particular date.

Q. You mean that is an assumption on your part. Is that correct? A. It is an assumption based on things I have seen in the records, but I cannot put my finger on the exact information. That item also was not included in the power bill.

Q. Do you know whether or not that property represented by that job order was used to store the river coal

fleet over the winter? A. Whether the particular property which was acquired here did that?

Q. That is right. A. No, I don't know, but—

Q. That is all I asked you, Mr. Newlands, if you knew.

Turn to page 10 of the schedules, which is the next page to the one we have been discussing, and refer to the item represented by Job Order C-2642 in the amount of \$463.20.

Was not the property represented by that item in service by the end of December, 1945? A. Yes, that was placed in service on December 14, 1945. That was not included in the power bill, either.

Q. Take the next item represented by Job Order C-2672 in the amount of \$678.75. Was not that in service at the end of December, 1945? [9814] A. That item went into service on December 26, 1945, but was not included in the power bill for 1945.

Q. Take the next item, Job Order No. C-2701 in the amount of \$885.51. Was not the property represented by that item in service at the end of December, 1945? A. That property went into service on December 7, 1945, but was not included in the 1945 power bill.

Q. Take the next item, C-2704 in the amount of \$396.57. Was not the property represented in that item in service at the end of December 1945? A. That job was placed in service on December 22, 1945, but was not included in the power bill for 1945.

[9815] Q. Take the next item, Mr. Newlands, Job Order Number C-2707 in the amount of \$800. Was not the property represented in that item in service at the end of December, 1945? A. My explanation for that item would be similar to the explanation for Job Order 2725, purchase of—

Q. 2725? A. That is correct, purchase of Thomas S. Martin and Pequea Fuel Company.

Q. That is on page 9, the job order you just referred to? Is that correct? A. That is right. It consists of coal barges in dilapidated condition purchased from Martin

Coal Company. So far as I know they were not in service at that date.

Q. Do you know whether that property was in service during December of 1945? A. I don't know definitely, but from the information I do have available I would say it was not in service. That item was not included in the power bill for 1945, either.

MR. KING: May we have the last question and answer read back, Mr. Examiner?

TRIAL EXAMINER: Yes.

(Question and answer read.)

[9816] By MR. KING:

Q. You mean the property was not being used? A. That is correct, by Pennsylvania Water and Power Company.

Q. Do you know that fact or are you guessing at it? A. No, I am drawing that conclusion from the facts that are available to me concerning this transaction.

. . .

[9831] By MR. KING:

Q. Mr. Newlands, would you please turn to Exhibit 56? Do you have that in front of you, Mr. Newlands?

A. Yes, I have that.

Q. Did you prepare that exhibit? A. Yes, I prepared this exhibit.

Q. Do you assume full responsibility for the exhibit? A. Yes, I do.

Q. Would you please give me the basis for the calculation of the amount of \$4,495,500 in column 1 of this exhibit?

. . .

[9832] THE WITNESS: That represents the amount of cash paid in, represents 60 per cent of the amount of cash paid in on the McCall Ferry bonds which were exchanged for Pennsylvania Water and Power Company securities.

By MR. KING:

Q. That represents, then, cash paid in on bonds. Is that right? A. Yes. I can clarify my explanation if you are uncertain as to what I mean.

Q. I think we understand what you mean, Mr. Newlands. Does that same basis apply, or rather does that same calculation apply to the amount of \$4,495,500 from the years 1911 to 1945? A. To 1925, did you say?

Q. 1945. In other words, does that same basis apply in connection with all of the figures in column 1 on Exhibit 56? A. That is right. It is included all through there.

Q. Mr. Newlands, again referring to column 1 of Exhibit 56, the year 1915—that is the dollars opposite the year 1915—do not those dollars represent only the [9833] cash paid into the company on approximately 45,000 shares of common stock? A. It represents cash paid into the company on all the common stock that was outstanding at that time. I have forgotten whether that is the exact number of shares outstanding or not.

Q. How many shares were there? A. Well, the authorization was 50,000 shares originally.

Q. What I want to know, Mr. Newlands, is how many shares of Penn Water common stock does the amount of \$4,495,500 apply to. A. What amount, what number of shares?

Q. Correct. A. It applies to 49,950 shares.

Q. Don't you mean 44,000 instead of 49,000? A. No, 49,950.

Q. Was it \$100 par stock? A. Oh, that amount of cash paid in applies to all the stock outstanding at that time, not just the 49,950 I mentioned. The amount was 84,950.

Q. How many shares of stock went to the McCall bondholders? A. 49,950 shares should have gone to the McCall bondholders but a few of them were not exchanged. That is, [9834] J. E. Aldred bought \$66,000 worth of bonds. However, I have included those bonds in this calculation.

Q. You mean the 49,000? A. That is right.

Q. Well, isn't it true that the only cash represented in the figure we are discussing represented those 49,000 shares? A. The amount of cash I have shown in column 1 represents the only cash that was paid in on any outstanding capital stock. The total capital stock outstanding was 84,950 shares.

Q. Well, Mr. Newlands, doesn't the \$4,495,500 represent cash that was paid in by the McCall Company bondholders? Isn't that correct? A. That is right.

Q. And they received only the 49,000 shares that you have just mentioned. Is that correct? A. That is right, there was no cash paid in on the other shares.

Q. Now, will you refer to column 2 on that exhibit. Do not the dollars in column 2 opposite the year 1915 represent dividends paid on approximately 85,000 shares? A. That is right.

Q. Now, Mr. Newlands, would not the 7.6 per cent in column 3 opposite the year 1915 be substantially reduced [9835] if the dividends shown in column 2 were those paid only on the number of shares represented by the \$4,495,500? A. If you make that assumption and make that calculation you would have a smaller percentage, but that is not what I was doing here.

Q. I am not asking what you did. I am asking you to answer my question. Will you please figure—Do you have some scratch paper in front of you? A. Yes.

Q. What percentage would be if you divided the amount in column 1 into the dividends which were paid to the stockholders who paid in the cash? A. Do you mean by that the capital stock which went to the McCall Ferry bondholders?

Q. That is right. A. You don't happen to have the amount of dividends that applied to that stock, do you?

Q. It was \$4 a share, Mr. Newlands. A. It would be approximately 4.4 per cent.

Q. Would there be a similar reduction in each year if you made the same calculation for each year? A. If you

made a similar calculation based on your assumptions, you would obtain a similar reduction. I don't know what would be the exact percentage, but there would be some reduction. [9836] Q. It would be substantial, wouldn't it? A. Well, I haven't made the calculation for later years. I am not certain. It would amount to at least one or two per cent, I imagine, in any year.

Q. The one you just calculated amounted to approximately 45 per cent, didn't it? A. When I said one or two per cent, I meant one or two per cent as compared with 18 or 25 per cent. I wasn't referring to a proportion between the percentages shown here and the percentage I just calculated.

Q. I want the proportion. A. Let me make myself clear. When I arrived at my calculation I arrived at 4.4 per cent which represented the relationship of the dividend of \$199,800 which would be payable on the shares originally given to the McCall Ferry bondholders.

Q. I am asking if you made that same assumption all down the line in column 3 would you not get a substantial reduction?

[9837] A. I would obtain a reduction. It would be not 45 per cent which you mentioned, nor anywhere near that, but I don't know what it would be.

[9935]

SAMUEL JOSEPH

CROSS-EXAMINATION.

By MR. SPARKS:

[9956] Q. Do returns required by investors depend upon the investors' appraisals of the risks present in the investment?

THE WITNESS: Yes.

[9958] Q. Does the cost of capital depend upon the investor's appraisal of the risks present in the investment?

A. Yes.

[9964] Q. Is the ownership of Penn Water common stock widely distributed, Mr. Joseph? A. Sufficiently so to be traded.

[9965] Q. Mr. Joseph, can you name ten other electric utility common stocks which are more widely held than the Penn Water common stock?

THE WITNESS: I don't know that I can.

[9972] Q. Mr. Joseph, are you familiar with the Federal Communications Commission's study of the problem of the rate of return on public utility regulation dated June 15, 1938? A. Yes, I am.

[9973] Q. I call your attention, Mr. Joseph, to page 76 of that report and to the following words:

"While it is true that the prospects of a future rise or fall in the market price of stocks have their influence (and at times may even be controlling), it is believed that the financial and operating characteristics of the particular utility eventually dominate the investing public's evaluation of its securities. In many cases this will not result unless the period used is long enough to even out the effect of market factors extraneous to the individual corporation's situation. In any event, however, it seems to be generally conceded that the long-run average earnings-price ratio, more accurately than any other single factor, reflects the investor's composite evaluation of all fundamental influences affecting the corporation."

Q. Do you agree with those statements?

. . .

[9974] A. I do agree with the last sentence.

Q. And you are in substantial agreement with the other sentences that I have read. Is that correct? A. Yes.

Q. When you had in mind the Bluefield decision for the purpose of preparing Exhibit 46, what did you consider to be the meaning of the word "investments" which is contained in the clause "—investments in other business undertakings which are attended by corresponding risks and uncertainties"? A. Investments there I think means, or may be taken to mean, the outstanding securities of other similar enterprises.

. . .

[9975] Q. In the preparation of the evidence of the fair rate of return which is contained in Exhibit 46, did you consider or assume the adoption by the Commission of any particular kind of rate base? A. I assumed that the Commission would allow a fair rate of return applied to a rate base which would be at least equal to the investor's investment in the property.

. . .

[9984] Q. Now, Mr. Joseph, you have stated that Exhibit 46 would be an adequate sound basis for the determination of a fair rate of return for the Detroit Edison Company, and I assume that you would also state, would you not, that the Exhibit would be an adequate and sound basis for the determination of a fair rate of return for each of the other fourteen electric companies shown on page 38-A of the exhibit? A. It would be very helpful.

Q. Well, would it be adequate and sound basis for the determination of the fair rate of return? A. After I had made the check that I say I would like [9985] to make, I think I could then say that it would be for each of these fourteen companies an adequate and sound basis.

Q. In other words, you would say Yes to my question if your investigation of each of the companies disclosed no peculiarities which would indicate to you that different individual special treatment ought to be given to one of the companies. Is that correct? A. Exactly right; yes, sir.

. . .

[9988] Q. Now, Mr. Joseph, why did you exclude from Exhibit 46 any data with respect to cost to the company of debt capital experienced by Penn Water? A. Why did I not include it?

Q. Right. A. Because the information shown in my opinion was sufficient, having in mind that the Commission would have before it a complete detail concerning the cost of debt capital of the Pennsylvania Water and Power Company from another witness.

. . .

[9993] Q. Just prior to the noon recess, Mr. Joseph, you referred [9994] to Exhibit 51 in this case which was Mr. Newlands' report for data showing the experienced costs of debt capital to Penn Water, did you not? A. Yes, I did.

Q. On what pages of that Exhibit are those costs shown? A. One reference is found on page 4.

Q. Are there any other pages on which those costs are shown? A. You might also refer to page 6, and I think that is the extent of it in Exhibit 51.

Q. Do you know of any other exhibit which contains that data? A. It may be contained in the balance sheet exhibit.

Q. Do you recall the number of that exhibit? A. No, I do not.

Q. Could you ascertain whether it is contained in the balance sheet exhibit? A. Yes, I will.

Q. Now, what does Exhibit 51 show to have been the experienced cost of debt capital to Penn Water, Mr. Joseph? A. It shows that in 1939 Penn Water issued

\$10,900,000 face amount of $3\frac{1}{4}$ per cent bonds at 102. It shows that in 1940 Penn Water issued \$10,962,000, $3\frac{1}{2}$ per cent bonds at 103. The first series was due in 1964; the second series was due in 1970. You can conclude from that that the [9995] experienced cost of capital for these issues was in the neighborhood of $3\frac{1}{4}$ per cent.

. . .

Q. Well, then, is it correct to say that Exhibit 51 provides data which enables you to determine the yield at the price to the public, but that it does not include data showing the experienced cost of capital, debt capital, to Penn Water? [9996] A. For that issue? For that issue, Exhibit 51 does not have all of the information sufficient to determine the precise cost of the capital on these bonds. However, the information is quite readily available, I am sure.

Q. Well, when you say it is quite readily available, Mr. Joseph, do you know whether it is available as evidence in this case? A. No, I do not.

Q. I understood you to say, I believe, before the noon recess, that such data should be considered by the Commission in its determination of fair return. Is that correct? A. Yes, it should. Of course you understand, Mr. Sparks, that we are talking about a very, very small item.

Q. In what connection do you make that observation, Mr. Joseph? A. Well, I mean that in the illustration that I gave where the bonds sold at par and the yield was $3\frac{1}{4}$ per cent, the cost to that capital to the company is not going to be very much over $3\frac{1}{4}$ per cent.

. . .

[10028] Q. Isn't it true, Mr. Joseph, that in recent years the restrictions which we have mentioned provided in indenture provisions have resulted in all bonds being of higher quality? A. The tendency would certainly be that way, yes.

Q. And that is true, is it not, of the bonds [10029] represented in the indices on pages 1 to 19 of Exhibit 46? A. Generally I would say so, yes.

. . .

Q. Well, isn't it true that the decline in yields as shown in your averages is for reasons other than the decline in the return expected by investors on bonds of identical quality? [10030] A. It contains the effect of what we have been discussing.

Q. Well, are you saying, then, that the decline as shown in your averages includes the decline brought about by these tightening of protective features in indentures and the consequent improvement in the quality of the bonds? A. Well, it includes the effect of that, yes.

Q. In other words, then, the decline in the average yield shown on page 5 of Exhibit 46 is due in part to a lessening of the risks assumed by bondholders? A. Well, it includes the effect of that element. If you were to say that a portion of this decline would have taken place, all other things being equal because of the better protection, that would probably be true. But the decline has not taken place because of the better protection. Am I clear on that?

Q. Well, I gathered from your previous answer that that was one reason for the decline. A. For a decline?

Q. For the decline reflected in your study, namely, the increase in protective features in the indentures. A. Well, perhaps I can explain my point by illustration: The investor, let us say, is satisfied today that he is getting better protection in the indenture than he was years ago. He probably is, and on that score he [10031] says, "I will accept less of a return than I would years ago."

But it does not follow that he today believes he is assuming less risk in the purchase of a utility bond than he did in 1920. Isn't that clear?

Q. Why not? A. Well, one reason that I might mention would be that many people believe that the regulatory authorities adopting the principles that the utility

shall be allowed a return only upon investment are setting about to wreck the utility, and it may be that some investors of that notion, that if they get a return only on their investment, that is not enough. We are assuming risks tremendously greater than we did in 1920 when we could expect that the regulatory authorities would allow us a return on just about what we asked for by way of reproduction cost, and so on.

Now, I am saying that the effect of what we have been discussing is included in these averages, but it does not follow that the decline has taken place because investors now believe that investment in utility bonds over-all are so much safer than they were in 1920, because of these indenture provisions.

[10033] Q. These tightened protective features which we have been referring to, Mr. Joseph, result in additional burdens being assumed by others than the bondholders, do they not? A. Yes, that is probably true. When the bondholder is better protected, the other investors are assuming certain additional burdens.

[10034] Q. Then you do not agree that the risk of which the bondholders are relieved are shifted to the common stockholders. Is that correct? A. There is a shifting, yes.

Q. To the common stockholder? [10035] A. To the other investors.

Q. Which would include the common stockholder? A. Which would include the common stockholders.

[10040] Q. Assuming that all other factors are equal, is the cost of new money to an enterprise higher or lower than the cost of money for refinancing? A. Probably higher.

[10049] A. You asked me concerning the number of stockholders of Pennsylvania Water and Power Company.

I find in Moody's *Manual of Investments* that the number of stockholders, common stockholders as of December 15, 1945, is reported as 6528.

. . .

[10056] Q. Is the cost of capital to a particular utility enterprise the measure of a fair rate of return to that utility enterprise? A. Not always, no.

Q. What are the exceptions in your opinion, Mr. Joseph? A. Well, you have certain costs of capital that [10057] may be changeable, and if they can be changed to benefit the utility and the public, that change should probably be considered in establishing the fair rate of return rather than the actual cost of the outstanding capital. I have in mind if outstanding bonds, for example, are at very high interest rates which can and should be refunded, then in establishing the fair rate of return the authorities might consider what could be done in such a refunding operation.

Q. Now, are there any other exceptions, Mr. Joseph, which you have in mind? A. The cost of capital that was incurred many years ago in connection with the issuance of other securities would likewise be superseded by allowing what is today a fair rate of return upon the remaining investment. I have in mind this: If 30 years ago the company that you spoke of issued stock at a cost to it of 15 per cent, and we are today considering what is the fair return for such a company, we would say that the fair return is what other similar investments today are yielding. I think maybe that would become more clear, Mr. Sparks, if we reversed the example that I gave. It seems to me that is usually clearer to utility representatives.

If some years ago the utility issued stock at a cost to it of two per cent and today similar investments are [10058] earning six per cent, the utilities are quick to realize that the allowance of only two per cent would be rather unfair.

Q. Are there any other exceptions, Mr. Joseph? A.

And so I say that in determining the fair rate of return, the attempt is to allow what is fair upon similar investments today, and the cost of capital, unless it is for some reason frozen, does not have a decisive effect upon the fair rate of return.

Q. Well, what you are saying, then, Mr. Joseph, is this, is it not? That today's cost of capital to the particular utility enterprise is the measure of the fair rate of return to that enterprise? A. Well, perhaps that means what I have said. The attempt is to allow the utility a fair rate of return based upon what other similar investments are yielding, subject, however, to the fact that if the particular utility under review is for some reason burdened with certain costs that it can't escape, that should be taken into consideration. I mean, for example, if the Pennsylvania Water and Power Company bonds had been issued at five per cent, let us say, with the approval of the Securities and Exchange Commission or the Federal Power Commission or some public authority, were not now refundable, these interest rates then were an inescapable cost to Penn Water and Power [10059] Company and I should think those costs would be allowed by the Regulatory Commission in the overall return.

. . .

[10082] Q. Mr. Joseph, what would be the direction of the effect of these figures on page 44 if the fair rate of return were to be determined in say 1933? A. If we were determining a fair rate of return for a utility in 1933, I would say that the tendency of the [10083] direction which you are asking me about would be downward. It would be so not only because you would get it from this sheet, but because at the pit of the depression if you were charged with finding a fair rate of return for a utility, I think you would be disinclined to find that the rate should be very high.

You would be more inclined to feel that if the utility can get along with a certain low rate for a period of time while the nation is suffering from a very grave depression,

and if that low rate would be fair, you would be inclined to have the utility take some share of the effects of a depression.

Q. Well, then, Mr. Joseph, I take it from your answer that in periods of prosperity the direction of the effect or the tendency of the direction of the effect would be upward of the data on page 44? A. Well, I suppose you draw that conclusion because I have said that in a period of depression the direction or tendency might be downward.

I feel somewhat differently about it today in interpreting these figures today. If I were charged with the responsibility of finding a fair rate of return for Pennsylvania Water and Power, I would have this information before me. I would have other information before me. I would feel that a determination made from reviewing what investments of a similar [10084] nature of yielding would be a sound one. I would look at pages 41, 42, 43 and 44, and there I would find nothing that would indicate to me that Pennsylvania Water and Power is going to be in any serious jeopardy if I were to allow it a rate of return determined to be fair from a review of what other similar investments are today yielding.

Q. Does that mean, Mr. Joseph, that if you were determining the fair rate of return today, you would give less effect to the statistics shown on pages 41 to 44 of your exhibit than if you were determining the fair rate of return in 1933? A. Probably so, but I would say it somewhat differently.

In 1933 the country was faced with a situation which required a somewhat different consideration, but today the level of activity is such that we need not make that special sort of allowance or determination.

. . .

[10088] Q. Mr. Joseph, will you turn, please, to pages 46 and 47 of your Exhibit 46. What is the significance and meaning of the data shown on those two pages of your ex-

hibit for the determination of the fair rate of return to Penn Water? A. These again are general economic statistics of the level of economic activity and are matters which I consider are of interest to those charged with the duty of determining fair rate of return for a public utility.

Q. Well, Mr. Joseph, was the basis of your selection of these data on pages 46 and 47 the fact that they may be of interest to the Commission? A. And helpful to the Commission in solving the problem of fair rate of return.

Q. In what way would they be helpful? A. Well, again, I say that if you are charged with the responsibility of determining a fair rate of return, you are interested in what the level of economic activity throughout the country is. To say otherwise, it seems to me, Mr. Sparks, would be to attempt to maintain the position that Penn Water and Power is in such a situation that [10089] it operates independently of the country as a whole. If it could be shown that Pennsylvania Water and Power's earnings were so safe and so secure that whatever happened to the country at large would have very little or any effect upon Pennsylvania Water and Power, then I would say that perhaps these indices and figures were superfluous. But if Pennsylvania Water and Power is a part of our general economy and is subject to those influences which affect our general economy, then in considering what is a fair return for that utility you would be interested to find out how the economy as a whole is getting along.

Courts and Commissions have reviewed statistics of a similar nature in their reviews of the problem of fair rate of return.

[10166]

CLIFTON H. HOWELL.

CROSS-EXAMINATION (Continued).

By MR. MYSE:

[10179] Q. Did you have discussions or did you confer with any of the customers of Penn Water in connection with the loads and operations on their system? A. Yes, I did.

Q. Which customers? A. Particularly Consolidated of Baltimore and the Pennsylvania Power and Light relative to the 25-cycle supply. I did not interrogate them at all on the 60-cycle supply.

Q. What did you learn from Baltimore in connection with the loads on the 25-cycle system? A. That the 25-cycle load was holding up pretty well.

Q. Did you go into anything more specific with respect to the load shape of Baltimore in connection with their demands on the 25-cycle system at Holtwood? A. No, I did not.

Q. What about the 25-cycle demands by Pennsylvania Power and Light Company on the Holtwood system? Did you go into any particulars with respect to their load shape? A. Yes, that had reduced considerably over the years. It was about 6,200 kilowatts at the time I made my inquiry to the Pennsylvania Power and Light, having at one time been about 15,000.

[10180] Q. Is that the conclusion from your investigation that the demands by Pennsylvania Power and Light Company on the 25-cycle system of Holtwood would continually decrease? A. Down to a point. They have one rather large customer there, and it seemed that that load would hold up fairly well. They were undertaking at that time to eliminate a number of small 25-cycle customers and replace them with 60-cycle service.

Q. Other than this one customer to which you referred, the 25-cycle demand by Pennsylvania Power and Light

Company on the Holtwood system will tend to decrease in the future. Is that right? A. I say down to a certain point. I couldn't see where one of their large customers would go below, very much below, its present demand.

Q. Did you investigate that one customer you speak of to determine whether or not they had any plans to change over to 60-cycle? A. No, I didn't. It seemed sufficient to spend no more time on it after having been advised by some of the engineers, the commercial engineers of the Pennsylvania Power and Light Company, as to the intentions of this company.

Q. When you say "this company" you mean this one company? [10181] A. The Crown Cork and Seal Company.

Q. It is really Armstrong Cork? A. Yes, Armstrong.

Q. What load would Armstrong Cork continue to take from the Holtwood system?

MR. GOLDBERG: You mean Pennsylvania Power and Light, don't you?

THE WITNESS: I don't believe I recall exactly what the Armstrong Cork load was. It was something less than 6,000.

By MR. MYSE:

Q. Did you investigate at the Pennsylvania Power and Light Company to determine whether or not any of their converters would be used in serving Armstrong Cork, that is converting 60-cycle energy to 25-cycle energy? A. No. I asked them what they expected to do with these converters, being so much larger than their present load. They said they were going to hold them in. They saw no reason to change them. But they did not lead me to believe at all that they would convert 60-cycle to 25 for the purpose of the Armstrong Cork.

Q. How much capacity in converters from 25- to 60-cycle, or the reverse, does P. P. and L. now have. A. 15,000 kilowatts to the best of my recollection.

.

[10183] (The reporter read the following question:

“Q. At page 2 of Exhibit 47, paragraph 1, and again beginning at page 8 and continuing on to page 15 you discuss, as I understand it, the 25-cycle generating facilities at Holtwood. Is that right?”)

THE WITNESS: That is correct.

By MR. MYSE:

Q. As I understand it, the purpose of operating the eight out of the ten main generating units is to supply 25-cycle service to certain customers. Isn't that correct?

A. Well, the eight generators are to develop 25-cycle power. I wouldn't say certain customers.

Q. Who uses the power, as you put it, which is generated by the eight 25-cycle generators at Holtwood? A. The output is sold to Baltimore with the exception of that which is sold in Pennsylvania.

.

[10195] Q. At page 16, paragraph 1, beginning at line 8 of Exhibit 47, didn't you there make some statements about the capacity supplied Pennsylvania Power and Light Company? A. Yes, I had previously said that this morning, that I found that they supplied approximately 6500 kw to the Pennsylvania Power and Light.

Q. How did you determine that fact? [10196] A. Conferences with the engineers and officials of the Pennsylvania Power and Light Company.

Q. Didn't those engineers tell you what the relative proportion of the supply to Baltimore was at the same time? A. No, we didn't discuss Baltimore.

Q. In terms of the 6500 kw capacity supplied, as you say, to Pennsylvania Power and Light Company in 1944,

roughly what proportion is that of the total capacity available from the 25-cycle system at Holtwood?

MR. GOLDBERG: May I have the question, please?

(Question read.)

THE WITNESS: It would be the ratio of 6500 to the 25-cycle capacity generating capacity at Holtwood, which I believe is 87,000.

. . .

[10206] Q. As I understand your exhibit, Mr. Howell, you show in it that there are two hydro units and two steam units at Holtwood which provide 60-cycle service. Is that [10207] right? A. Yes.

Q. Where is the output of those units disposed? A. Through the 60-cycle transmission system of the Holtwood and Susquehanna Companies.

Q. How does any of that energy get on the facilities of Susquehanna? A. There are 60-cycle circuits running from Holtwood through Safe Harbor on the 220 k. v. to Baltimore. That is a possibility.

Q. Well, did you make any investigation to determine whether or not there ever was any such energy arriving on the 220 kv circuits from Safe Harbor to Baltimore? A. No, I did not.

Q. Then you can't say whether or not that actually happens, can you? A. No. There is also a 60-cycle circuit running into the Pennsylvania Power and Light system.

Q. From your knowledge of the operations as you testified at page 1009 as to the Holtwood property, can you tell me whether or not the 60-cycle generation at Holtwood is transmitted to and used almost entirely by Pennsylvania utilities to the north? A. No, I didn't make any investigation to determine the flow of power at any point. From an operating standpoint [10208] it would seem reasonable to expect that the major portion of this 60-cycle generation at Holtwood would go into Pennsylvania, to the Pennsylvania 60-cycle customers.